

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: MWRA Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: May 5, 2015

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY16 (since the amount under the prior schedule was maintained in FY16) and is acceptable under Chapter 32.

The Board has adopted several conservative assumption changes in this valuation including the investment return assumption (reduced to 7.75%) and the mortality assumption (generational mortality). We also note that the System has contributed amounts in excess of the required appropriation in each of the past four fiscal years and (six of the last eight fiscal years). The plan is now essentially 100% funded due to these additional appropriations. The reduction in the appropriation amount for FY17 is significant, and we have concerns that the appropriation may be required to increase in the event of a market downturn. However, it is clear the Board carefully considered these issues with its actuary, and the ten year amortization schedule was developed, in part, to reflect possible future actuarial losses and/or future reductions in the investment return assumption.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

Enc.



SECTION 2: Valuation Results for the Massachusetts Water Resource Authority Employees' Retirement System

Chart 16

Funding Schedule – Fully Funded by June 30, 2024 with amortization payments increasing 4.5% per year

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of Unfunded Actuarial Accrued Liability	(4) Total Appropriation: (2) + (3)	(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(6) Percent Increase Over Prior Year's Appropriation
2016	\$2,647,225	\$5,512,296	\$8,159,521	\$7,936,670	--
2017	2,770,038	362,586	3,132,624	2,612,263	-61.61%
2018	2,898,466	378,903	3,277,369	2,424,026	4.62%
2019	3,032,765	395,953	3,428,718	2,203,620	4.62%
2020	3,173,198	413,771	3,586,969	1,947,761	4.62%
2021	3,320,044	432,391	3,752,435	1,652,874	4.61%
2022	3,473,591	451,848	3,925,439	1,315,070	4.61%
2023	3,634,142	472,182	4,106,324	930,121	4.61%
2024	3,802,013	493,430	4,295,443	493,430	4.61%

Notes: Recommended contributions are assumed to be paid on July 1.

Normal cost increases at 4.0% per year, plus an additional increase for the impact of generational mortality.

Amortization payments increase at 4.5% per year.

Assumes contribution of budgeted amount for fiscal year 2016.